



Chinney Investments, Limited

Stock Code: 216



Interim Report 2022/23

CONTENTS

	<i>Page(s)</i>
Corporate Information	2
Chairman’s Statement	3
General Information.	10
Condensed Consolidated Statement of Profit or Loss	19
Condensed Consolidated Statement of Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity.	23
Condensed Consolidated Statement of Cash Flows.	24
Notes to the Condensed Interim Consolidated Financial Statements	27

Cover Photo:
architectural perspective of the renewed Bauhinia (Central), 119-121 Connaught Road Central

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Yuen-Keung Chan (*Vice Chairman and
Managing Director*)
James Sing-Wai Wong
Paul Hon-To Tong
Emily Yen Wong
Richard Chi-Ho Lo*
Winfred Wai-Lap Fan*
Randall Todd Turney*

* *Independent non-executive directors*

AUDIT COMMITTEE

Winfred Wai-Lap Fan (*Chairman*)
Richard Chi-Ho Lo
Randall Todd Turney

REMUNERATION COMMITTEE

Winfred Wai-Lap Fan (*Chairman*)
Yuen-Keung Chan
Randall Todd Turney

NOMINATION COMMITTEE

Richard Chi-Ho Lo (*Chairman*)
Winfred Wai-Lap Fan
Randall Todd Turney
James Sing-Wai Wong
Yuen-Keung Chan

COMPANY SECRETARY

Ka-Yee Wan

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial Bank of
China Limited
Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Commercial Bank Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

REGISTRAR

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17th Floor
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STOCK CODE

SEHK 216

WEBSITE

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CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

For the six months ended 30 September 2022, the Group's unaudited consolidated revenue was HK\$638 million (2021: HK\$610 million) with a net profit attributable to shareholders of HK\$45 million (2021: HK\$58 million). Excluding the effect of fair value gains on investment properties (net of deferred taxation) of HK\$3 million (2021: losses of HK\$13 million), the underlying net profit attributable to shareholders would be HK\$42 million for the six months ended 30 September 2022 (2021: HK\$71 million). Basic earnings per share was HK\$0.08 (2021: HK\$0.11).

As at 30 September 2022, the shareholders' equity amounted to HK\$7,855 million (as at 31 March 2022: HK\$8,448 million) and net assets per share attributable to shareholders was HK\$14.25 (as at 31 March 2022: HK\$15.32). The decrease in shareholders' equity at period end was primarily due to exchange differences arising from the depreciation of Renminbi-denominated net assets with the effect being partially offset by the net profit attributable to shareholders recorded during the period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

BUSINESS REVIEW

The Group continues to focus on property development and property investment businesses which are mainly conducted by its 68.09% owned subsidiary Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) and its subsidiaries ("Hon Kwok Group"). It is the Group's strategy to optimise its assets and diversify its property portfolio. In January 2022, the Group acquired a property in Shanghai, namely "Nexus Jing'an", which is a completed 4-storey commercial premises with gross floor area of approximately 6,660 square meters, being held for earning rental income.

1. Property

(1) Property Development

For the six months ended 30 September 2022, the property development segment revenue was HK\$394 million compared with HK\$377 million in 2021. Segment profit before taxation was HK\$149 million compared with HK\$185 million in 2021. The revenue and profit for the period were derived from sales of completed properties from Metropolitan Oasis in Nanhai, Foshan. The slight increase in revenue was mainly attributable to more property units delivered to customers during the current period. The profit margin generated under the highly competitive property market was slim, resulting in a lower profit contribution.

The Group's property development projects located in Mainland China are made up of (i) Metropolitan Oasis, Hon Kwok Group's wholly-owned project in the Da Li District of Nanhai; (ii) 45-107 Beijing Nan Road, Hon Kwok Group's wholly-owned project in the Yue Xiu District of Guangzhou and (iii) Enterprise Square in the Nanshan District of Shenzhen in which Hon Kwok Group owns a 20% interest.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(1) Property Development *(Continued)*

Metropolitan Oasis, with a total gross floor area of approximately 273,000 square meters, was developed in three phases. The final phase of the development project was completed in December 2020. For the six months ended 30 September 2022, the Group recorded revenue of HK\$394 million (2021: HK\$377 million) from the properties sales recognised during the period. As at 30 September 2022, the contracted property sales but not yet booked amounted to RMB293 million, and is expected to be recognised from the second half of 2022/2023 onwards. Meanwhile, the management continued to launch the remaining property units amid the gloomy property market.

Our development site at 45-107 Beijing Nan Road, Yue Xiu District, with an aggregated gross floor area of approximately 77,000 square meters, is located in close proximity to the Beijing Road Pedestrian Street and the Pearl River. It is designated for mixed-use development, including a commercial/residential building and a commercial/office building. The development site is adjacent to the Group's former projects, namely No. 5 Residence and Ganghui Dasha. Upon completion, these three developments will form a large-scale mixed-use complex accommodating office, residential and retail components along Beijing Road. The residential portion of the project will be developed as quality residences for sale whereas the office portion will be held for rental and long-term investment purpose. Superstructure works were substantially completed and the residential units were scheduled to launch for pre-sale in the next financial year.

Enterprise Square, of which Hon Kwok Group owns a 20% interest, situated at Qiaoxiang Road North, Nanshan District, has a total gross floor area of approximately 224,500 square meters. This mixed-use commercial complex comprises office towers, a residential apartment tower and a shopping mall. Apart from an office tower and the shopping mall that are held for leasing purposes, the other office towers and a portion of residential apartment units were sold in prior years. During the six months ended 30 September 2022, the project recognised revenue of RMB200 million (2021: RMB273 million), net profit attributable to Hon Kwok Group in respect of its interest in Enterprise Square, including the change in fair value of the investment properties, amounting to HK\$17 million (2021: HK\$22 million). As at 30 September 2022, the contracted property sales of the residential apartment units but not yet booked amounted to RMB80 million.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(2) Property Investment

For the six months ended 30 September 2022, the property investment segment revenue was HK\$220 million compared with HK\$213 million posted for the same period in 2021. Segment profit before taxation was HK\$124 million compared with HK\$68 million in 2021. Excluding the change in fair value of investment properties, segment profit before taxation was HK\$125 million compared with HK\$109 million in 2021. Notwithstanding the difficult business conditions under the impact of pandemic, the Group's investment properties continued to maintain satisfactory occupancy.

Property Investment – Hong Kong

The property investment segment with a variety of properties, covers office, hotel property and data centre, generated stable rental income. The Group's completed investment property portfolio in Hong Kong with an aggregate gross floor area of approximately 474,000 square feet is mainly comprised of (i) Hon Kwok Jordan Centre, a commercial/office building at Hillwood Road, Tsim Sha Tsui; (ii) The Bauhinia, a hotel cum serviced apartment property at Connaught Road Central and Des Voeux Road Central; (iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui; and (iv) Digital Realty Kin Chuen (HKG11), the data centre at Kin Chuen Street, Kwai Chung. Our office property and hotel properties maintained stable occupancy while our data centre was fully let at satisfactory rental levels. The property portfolio of our four Hong Kong properties achieved an average occupancy of 86% for the six months ended 30 September 2022 (2021: 85%).

The management continues to take opportunities to enhance the financial performance of our property portfolio through asset enhancement initiatives. For our Bauhinia (Central), we have started the revamp project to rebrand it to a luxury lifestyle serviced apartment and hotel property. The design and planning works are underway and the refurbishment and interior fitting-out works of the building will commence next year. Upon completion, the renewed Bauhinia with its premium location will enable the property to gain competitive edge in the industry.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(2) Property Investment *(Continued)*

Property Investment – Mainland China

The Group's completed investment property portfolio in Mainland China with an aggregate gross floor area of approximately 452,660 square meters is comprised of (i) Hon Kwok City Commercial Centre, a commercial/office building at the Fu Tian District of Shenzhen, (ii) City Square/The Bauhinia Hotel (Shenzhen), a commercial podium comprising shops and hotel rooms at the Luo Hu District of Shenzhen, (iii) City Suites, serviced apartment units atop of City Square at the Luo Hu District of Shenzhen, (iv) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (v) Chongqing Hon Kwok Centre, a twin-tower office building atop of a commercial podium at the Bei Bu Xin Qu of Chongqing, (vi) Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower each with a commercial podium at the Bei Bu Xin Qu of Chongqing; and (vii) Nexus Jing'an, a four-storey premises in Jing'an, Shanghai. The property portfolio achieved an average occupancy of 75% for the six months ended 30 September 2022 (2021: 67%).

The occupancy of Hon Kwok City Commercial Centre, the Grade A office building situated in the core area of Fu Tian District, Shenzhen, grew steadily. In the first quarter of 2022, the Mainland saw sporadic outbreak of COVID cases. To contain the pandemic, the government introduced board travel restrictions and lockdown measures, severely dampening the retail rental market. To support our retail tenants, rental relief was granted to certain tenants on discretionary basis. For the six months ended 30 September 2022, the average occupancy rate of the retail portion was 92%, whereas the offices space was 57% leased. Overall average occupancy rate grew to 63%.

Property Investment – Valuation

The Group's investment property portfolio was measured on a fair value basis, valued at HK\$14,908 million as at 30 September 2022 (as at 31 March 2022: HK\$15,923 million), including the Mainland China portfolio of HK\$9,644 million and Hong Kong portfolio of HK\$5,264 million. Taking into account the additions to investment properties and the exchange differences arising from the depreciation of Renminbi during the period, the increase in fair value (net of deferred taxation) was HK\$3 million (2021: decrease of HK\$13 million). In general, our Group's Hong Kong property portfolio exhibited a revaluation gain due to asset enhancement as well as the improved market sentiment after the relaxation of restrictive measures, whilst its Mainland China property portfolio showed a slight revaluation loss, as the market sentiment remained weak due to the restrictive measures and intermittent lockdown policies.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(3) Property, carpark management and others

During the period under review, the property, carpark management and others segment revenue was HK\$23 million compared with HK\$19 million in the same period of 2021. The revenue generated from the property and carpark management business remained stable. To support carpark operators, the government granted rental concessions to operators managing public carparks, substantially reduced our operating costs, resulting in segment profit before taxation of HK\$3.2 million compared with HK\$3.6 million in 2021. As at 30 September 2022, the Group managed 23 carparks (31 March 2022: 23 carparks) with approximately 2,050 parking spaces (as at 31 March 2022: 2,050 parking spaces).

2. Property under redevelopment plan

The development project in Douchizhou, Zhongtang Town, Dongguan in which the Group owns 30% interest, covers a site area of approximately 19,000 square meters, yielding a gross floor area of approximately 58,000 square meters. It will be developed as a mixed-use project comprising residential units and commercial office. Construction works are progressing as scheduled.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded turnover and net profit attributable to shareholders for the six months ended 30 June 2022 of HK\$2,855 million (2021: HK\$3,004 million) and HK\$5.4 million (2021: HK\$8.5 million).

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Chinney Kin Wing contributed revenue of HK\$852 million (2021: HK\$998 million) and operating profit of HK\$44.0 million (2021: HK\$42.6 million). Revenue dropped as a number of sizeable foundation contracts were approaching completion. Due to the improvement in tender prices as well as cost savings achieved, net profit was slightly improved. In light of the local government's dedication to invest in construction and infrastructure works, there will be ample opportunities in the near future, the division will continue to sharpen its competitive edge to maintain its sustainable growth.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Construction and Trading *(Continued)*

The Building Construction division, mainly consists of Chinney Construction Company, Limited (“Chinney Construction”) and Chinney Timwill Construction (Macau) Company Limited, engaged in superstructure construction works in Hong Kong and Macau, contributed a revenue of HK\$410 million (2021: HK\$420 million) and recorded an operating loss of HK\$12.9 million (2021: HK\$42.0 million). Its Hong Kong operation recorded slight profit whereas the Macau operation resulted in a loss as the major customers in Macau who were engaged in hospitality business, were severely hit under the stringent COVID-19 control measures. In the short term, the business condition remains difficult until the pandemic measures are relaxed.

The Building related contracting services division, consists of Shun Cheong Engineering Group Limited (formerly known as Shun Cheong Investments Limited), and its subsidiaries, engaged in the contracting businesses of HVAC installation and maintenance, water, electrical, photovoltaic and fire protection system, contributed revenue of HK\$1,161 million (2021: HK\$1,134 million) and operating profit of HK\$12.9 million (2021: HK\$35.4 million). During the reporting period, net profit margin reduced considerably due to the completion of certain high margin maintenance contracts as well as the additional costs incurred during the outbreak of the fifth wave of COVID-19 pandemic. Nevertheless, the management continued to monitor the projects cautiously to maintain profitability.

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited, contributed revenue of HK\$262 million (2021: HK\$285 million) and recorded an operating profit of HK\$10.4 million (2021: HK\$12.9 million). The slow economic recovery adversely affected the plastic trading business. Nevertheless, the division benefited from the soaring demand in its disinfectant product “JcoNAT” during the resurgence of contagious Omicron variant in the first quarter of 2022. To enhance the product variety, the management is undergoing a review of product development on new wellness products to expand the product range.

The Aviation division, consists of Chinney Alliance Engineering Limited, contributed revenue of HK\$170 million (2021: HK\$168 million) and recorded an operating profit of HK\$0.8 million (2021: HK\$5.9 million). While revenue remained stable, profit margin dropped due to additional costs incurred for acceleration of work progress for completion of airport projects. The airport and related projects will continue to contribute the long-term profitability of the division.

CHAIRMAN'S STATEMENT *(Continued)*

OUTLOOK

The global economy is facing multiple challenges in 2022. Overall, these challenges are putting downward pressure on an already sluggish economy.

Major economies are in the middle of interest-rate hiking cycles, in particular, the US Federal Reserve continues to adopt an aggressive plan to combat surging inflation through tightening the money supply in the economy. Moreover, the ongoing wars in the Ukraine, as well as the heated geopolitical back-biting between the China and the US tensions continue to disrupt the global supply chains, which in turn have caused an upsurge in energy and food prices, which have further pushed up inflation. All in all, the global economic prospect is clouded with downside risks and turbulence.

In the Mainland, stringent containment measures remain in place in most major cities where the number of sporadic COVID-19 cases increased, severely slowing down economic activities and dragging down their GDP growth. The property market continues to be depressed by the resurgence of pandemic and strict quarantine measures, hampering the market sentiment. Furthermore, the financial instability of other highly leveraged property developers weighed on homebuyer confidence, leading prospective buyers to be more cautious in making purchase decision. To revive the faltering economy, the Central Government lowered lending rates and rolled out measures to ease mortgage financing.

In Hong Kong, the outbreak of the fifth wave of COVID-19 in early 2022 and the consequent strict quarantine and travelling restrictions have widely affected the domestic economy, resulting in a year-on-year contraction of 4.5% in the third quarter of 2022. Seeing that the pandemic gradually brought under control in recent months, the HKSAR Government eased the social distancing measures progressively and the domestic market is set to regain momentum. In light of the government's strategy to boost public housing supply and its vision to develop the Northern Metropolis, we believe that the local economy will benefit from ample business opportunities and the massive infrastructure works in the near future. Looking ahead, we remain cautiously optimistic and will keep abreast of changes in the external market including the monetary policies of major central banks and global geopolitical risks.

Finally, I wish to express my sincere thanks to my fellow directors for their contributions and all staff members for their hard work during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 29 November 2022

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2022, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Dr. James Sai-Wing Wong ("Dr. Wong")	1 & 2	Through controlled corporations	341,439,324	61.93
	1	Beneficially owned	480,000	0.09

(b) Directors' interests in the ordinary shares/paid-up registered capital of associated corporations

Name of director	Notes	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued shares/ paid-up registered capital
Dr. Wong	1 & 3	Hon Kwok	Through controlled corporations	502,262,139	69.72
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 5	Chinney Alliance	Through controlled corporations	438,334,216	73.68
	1 & 6	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	20,000	100.00
	1 & 7	Chinney Trading Company Limited ("Chinney Trading")	Through controlled corporations	7,150	55.00

GENERAL INFORMATION *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Notes:

1. All the interests stated above represent long positions.
2. These shares are beneficially held by Chinney Holdings, which is a subsidiary of Lucky Year. Dr. Wong is a director of Lucky Year and has beneficial interests therein.
3. Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by the Company. By virtue of note 2, Dr. Wong is deemed to be interested in these shares. The remaining 11,756,000 shares are held by Chinney Capital Limited of which Dr. Wong is a director and has beneficial interests therein.
4. Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is paid up by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is paid up by a company controlled by Dr. Wong. By virtue of note 3, Dr. Wong is deemed to be interested in this company.
5. Out of the 438,334,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 265,240,521 shares are held by companies controlled by Dr. Wong. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.
6. These shares are beneficially held by Lucky Year. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.
7. Out of the 13,000 issued shares of Chinney Trading, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and 4,550 shares are held by a company controlled by Dr. Wong. By virtue of note 3, Dr. Wong is deemed to be interested in this company.

Save as disclosed herein, as at 30 September 2022, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2022, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Chinney Holdings	Directly beneficially owned	341,439,324	61.93
Lucky Year	Through controlled corporation	341,439,324	61.93

GENERAL INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 30 September 2022, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) In February 2019, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the "Facility Agreement") relating to HK\$1,500 million transferable term and revolving loan facilities (the "Loan Facilities") with a syndicate of financial institutions (the "Lenders"). The Loan Facilities have a term of 48 months commencing from the date of the Facility Agreement and to be used for refinancing the existing syndicated loan with an outstanding balance of HK\$440 million and financing the general corporate funding requirements of Hon Kwok Group.

Pursuant to the Facility Agreement, it shall be an event of default if (i) the Company ceases to be the major beneficial shareholder of Hon Kwok as a result of the Company ceasing to hold no less than 30% effective shareholding of Hon Kwok or does not or ceases to maintain management control of Hon Kwok; or (ii) Dr. Wong, Chairman of both Hon Kwok and the Company, or his family members collectively, do not or cease to hold the major beneficial ultimate shareholding interest in the Company.

If an event of default under the Facility Agreement occurs, the agent acting for the Lenders may, and shall if so requested by a majority of the Lenders, terminate the Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES *(Continued)*

- (b) In March 2020, Vast Champ Investment (Chongqing) Co., Ltd. (the “Onshore Borrower”), being a direct wholly-owned subsidiary of the Offshore Borrower (as defined below) and an indirect wholly-owned subsidiary of Hon Kwok, as borrower, entered into a loan agreement (固定資產貸款借款合同) (the “Onshore Loan Agreement”) relating to a term loan facility in the principal amount up to RMB450 million (the “Onshore Loan Facility”) with a PRC branch of a bank in Hong Kong (the “Onshore Lender”). The Onshore Loan Facility will be mainly used for refinancing the existing banking facility of the Onshore Borrower and repayment of inter-company loans, and also as general working capital for the daily operation of the Onshore Borrower. The tenor of the Onshore Loan Facility shall be 5 years commencing from the first drawdown date of the Onshore Loan Facility, or up to the maturity date of the Offshore Loan Facility (as defined below), whichever is later.

Pursuant to the Onshore Loan Agreement, the Onshore Borrower undertakes with the Onshore Lender, inter alia, that (1) it will procure the Company to continue to (i) be the major beneficial ultimate shareholder of Hon Kwok; (ii) hold not less than 30% effective shareholding of Hon Kwok; and (iii) maintain management control of Hon Kwok; and (2) Dr. Wong, the Chairman of both Hon Kwok and the Company, or his family members or his designated trust beneficiary shall continue to collectively remain as the major beneficial ultimate shareholder of the Company.

If any of the undertakings as stipulated in the Onshore Loan Agreement are not performed by the Onshore Borrower, it will constitute an event of default and the occurrence of which, if not being remedied by the Onshore Borrower within the period as allowed by the Onshore Lender, would render the Onshore Lender having the right to declare the Onshore Loan Facility to be immediately due and payable.

- (c) In March 2020, Vast Champ Investment Limited (the “Offshore Borrower”), an indirect wholly-owned subsidiary of Hon Kwok, as borrower, entered into a loan agreement (the “Offshore Loan Agreement”) relating to a term loan facility in the principal amount up to HK\$100 million (the “Offshore Loan Facility”) with a bank in Hong Kong (the “Offshore Lender”). The Offshore Loan Facility will be used for repayment of inter-company loans raised for the purpose of refinancing an existing banking facility of the Offshore Borrower. The tenor of the Offshore Loan Facility shall be 5 years from the drawdown date of the Offshore Loan Facility or up to the maturity date of the Onshore Loan Facility, whichever is earlier.

Pursuant to the Offshore Loan Agreement, it shall be an event of default if (1) the Company ceases to (i) be the major beneficial ultimate shareholder of Hon Kwok; or (ii) hold not less than 30% effective shareholding of Hon Kwok, or (iii) maintain management control of Hon Kwok; or (2) Dr. Wong, the Chairman of both Hon Kwok and the Company, or his family members or his designated trust beneficiary ceases to collectively remain the major beneficial ultimate shareholder of the Company.

If an event of default under the Offshore Loan Agreement occurs, the Offshore Lender may declare all outstanding amounts together with all interest accrued under the Offshore Loan Facility to be immediately due and payable.

GENERAL INFORMATION *(Continued)*

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES *(Continued)*

- (d) In October 2020, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into an agreement (the “HK\$800 million Facilities Agreement”) relating to HK\$800 million term and revolving loan facilities (the “HK\$800 million Loan Facilities”) with a syndicate of banks. The HK\$800 million Loan Facilities have a term of 48 months commencing from the date of the HK\$800 million Facilities Agreement and are to be used for refinancing the existing loans facilities with outstanding balance of HK\$500 million and financing the Group’s general corporate funding requirements.

Pursuant to the HK\$800 million Facilities Agreement, it shall be an event of default if Dr. Wong, the Chairman of the Company, and/or his family members collectively cease to (i) maintain management control over the Company; or (ii) remain as the major beneficial ultimate shareholder of the Company; or (iii) hold (whether directly or indirectly) at least 50% of equity interest in the Company (within the meaning of Part XV of the SFO).

If an event of default under the HK\$800 million Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK\$800 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$800 million Loan Facilities to be immediately due and payable.

CONNECTED TRANSACTIONS

1. On 12 July 2018, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok, entered into a framework agreement with Chinney Construction, an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the construction and development of a data centre at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the “Data Centre Project”) at a total contract sum not exceeding HK\$757,800,000. As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the related transaction constituted a connected transaction for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

Details of the transaction were set out in the joint announcement of the Company, Hon Kwok and Chinney Alliance dated 12 July 2018 and the Company’s circular dated 8 August 2018. Construction works were completed and pending for agreement of variation orders and final accounts of the project. During the six months ended 30 September 2022, HK\$19,674,000 was paid to Chinney Construction in respect of the transaction.

CONNECTED TRANSACTIONS *(Continued)*

- On 26 September 2022, Honour Well Development Limited (“Honour Well”), an indirect wholly-owned subsidiary of Hon Kwok, entered into a framework agreement with each of Chinney Construction and Shun Cheong Building Services Limited (“Shun Cheong”), both being indirect wholly-owned subsidiaries of Chinney Alliance, pursuant to which, Chinney Construction was appointed by Honour Well as the contractor for the builder’s works at the contract sum of not exceeding HK\$96,300,000 and Shun Cheong was appointed by Honour Well as the contractor for the mechanical and electrical engineering works and façade works at the contract sum of not exceeding HK\$141,000,000 relating to the revamp project of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong. As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the related transactions constituted connected transactions for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules. The transactions were approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the respective general meetings held by each of the companies on 28 November 2022.

Details of the transactions were set out in the joint announcement of the Company, Hon Kwok and Chinney Alliance dated 26 September 2022 and the Company’s circular dated 8 November 2022.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2022.

GENERAL INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2022, except for the following deviations:

1. CG Code provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The articles of association of the Company (the “Articles of Association”) do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman and the Managing Director will not be subject to retirement by rotation; which deviates from CG Code provision B.2.2 as the Board considers that the continuity of office of the Chairman and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

2. CG Code provision E.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions.

The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit Committee

The Company has established an Audit Committee comprising Mr. Winfred Wai-Lap Fan, Mr. Richard Chi-Ho Lo and Mr. Randall Todd Turney.

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 September 2022 have not been audited, but have been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$6,871 million as at 30 September 2022 (as at 31 March 2022: HK\$6,677 million), of which approximately 42% (as at 31 March 2022: 57%) of the debts were classified as current liabilities. Included therein were debts of HK\$33 million related to bank loans with repayable on demand clause and HK\$2,099 million related to project or term loans which will be refinanced during the forthcoming twelve months. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts would be approximately 11%.

Total cash and bank balances including time deposits were approximately HK\$2,076 million as at 30 September 2022 (as at 31 March 2022: HK\$2,000 million). The Group had committed but undrawn banking facilities of a total of approximately HK\$1,086 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2022 were approximately HK\$7,855 million (as at 31 March 2022: HK\$8,448 million). The decrease was primarily due to the depreciation of Renminbi-denominated net assets, net of profit attributable to shareholders less dividend paid.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$4,795 million (as at 31 March 2022: HK\$4,677 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$11,684 million (as at 31 March 2022: HK\$12,610 million), was 41% as at 30 September 2022 (as at 31 March 2022: 37%).

GENERAL INFORMATION *(Continued)*

FINANCIAL REVIEW *(Continued)*

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2022, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK\$15,816 million as at 30 September 2022 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and joint venture, employed approximately 370 employees as at 30 September 2022 (as at 31 March 2022: approximately 370). There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 12 to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	637,578	609,576
Cost of sales		<u>(283,646)</u>	<u>(258,778)</u>
Gross profit		353,932	350,798
Other income and gains, net	3	25,399	39,184
Fair value losses on investment properties, net		(749)	(41,099)
Administrative and other operating expenses		(108,013)	(97,635)
Finance costs	4	(109,078)	(86,080)
Share of profits of associates		<u>17,568</u>	<u>24,977</u>
Profit before tax	5	179,059	190,145
Income tax expense	6	<u>(96,107)</u>	<u>(93,888)</u>
Profit for the period		<u>82,952</u>	<u>96,257</u>
Attributable to:			
Owners of the Company		44,732	58,479
Non-controlling interests		<u>38,220</u>	<u>37,778</u>
		<u>82,952</u>	<u>96,257</u>
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	7	<u>HK\$0.08</u>	<u>HK\$0.11</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	82,952	96,257
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	(51,729)	6,095
Exchange differences on translation of foreign operations	(900,805)	118,199
Other comprehensive income/(loss) for the period, net of tax	(952,534)	124,294
Total comprehensive income/(loss) for the period	(869,582)	220,551
Attributable to:		
Owners of the Company	(565,684)	138,244
Non-controlling interests	(303,898)	82,307
	(869,582)	220,551

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2022 (Unaudited) Notes	At 31 March 2022 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	260,681	305,739
Goodwill	54,553	54,553
Investment properties	14,908,396	15,922,780
Investment in a joint venture	199	199
Investments in associates	1,244,954	1,285,431
Financial assets at fair value through other comprehensive income	71,812	11,685
Total non-current assets	16,540,595	17,580,387
CURRENT ASSETS		
Tax recoverable	216	436
Properties held for sale under development and completed properties held for sale	1,764,139	1,957,931
Trade receivables	9 15,317	14,319
Contract costs	10,418	17,451
Prepayments, deposits and other receivables	262,764	274,198
Financial asset at fair value through profit or loss	4,487	–
Cash and bank balances	2,076,122	2,000,408
Total current assets	4,133,463	4,264,743
CURRENT LIABILITIES		
Trade payables, other payables, accrued liabilities and others	10 185,872	240,348
Interest-bearing bank and other borrowings	2,870,088	3,791,084
Lease liabilities	14,464	20,004
Contract liabilities	199,056	421,238
Customer deposits	78,624	86,354
Tax payable	309,288	309,135
Total current liabilities	3,657,392	4,868,163
NET CURRENT ASSETS/(LIABILITIES)	476,071	(603,420)
TOTAL ASSETS LESS CURRENT LIABILITIES	17,016,666	16,976,967

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2022 (Unaudited) <i>Note</i>	At 31 March 2022 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,971,704	2,841,986
Lease liabilities	14,564	23,711
Deferred tax liabilities	<u>1,346,512</u>	<u>1,501,494</u>
Total non-current liabilities	<u>5,332,780</u>	<u>4,367,191</u>
Net assets	<u>11,683,886</u>	<u>12,609,776</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	11 405,411	405,411
Reserves	<u>7,449,703</u>	<u>8,042,955</u>
	7,855,114	8,448,366
Non-controlling interests	<u>3,828,772</u>	<u>4,161,410</u>
Total equity	<u>11,683,886</u>	<u>12,609,776</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share	Other	Asset	Exchange	Retained	Total	Non-	Total
	capital	reserve	revaluation	fluctuation	profits	(Unaudited)	controlling	equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2021	405,411	476,665	103,928	144,802	7,103,463	8,234,269	4,060,400	12,294,669
Profit for the period	-	-	-	-	58,479	58,479	37,778	96,257
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	79,765	-	79,765	44,529	124,294
Total comprehensive income for the period	-	-	-	79,765	58,479	138,244	82,307	220,551
Transfer of reserve upon disposal of investment properties	-	-	(12,763)	-	12,763	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,740)	(28,740)
Final dividend in respect of previous financial year	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 30 September 2021	<u>405,411</u>	<u>476,665</u>	<u>91,165</u>	<u>224,567</u>	<u>7,147,137</u>	<u>8,344,945</u>	<u>4,113,967</u>	<u>12,458,912</u>
At 1 April 2022	405,411	440,250	91,165	330,763	7,180,777	8,448,366	4,161,410	12,609,776
Profit for the period	-	-	-	-	44,732	44,732	38,220	82,952
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	(610,416)	-	(610,416)	(342,118)	(952,534)
Total comprehensive income/(loss) for the period	-	-	-	(610,416)	44,732	(565,684)	(303,898)	(869,582)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,740)	(28,740)
Final dividend in respect of previous financial year	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 30 September 2022	<u>405,411</u>	<u>440,250</u>	<u>91,165</u>	<u>(279,653)</u>	<u>7,197,941</u>	<u>7,855,114</u>	<u>3,828,772</u>	<u>11,683,886</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		179,059	190,145
Adjustments for:			
Finance costs	4	109,078	86,080
Share of profits of associates		(17,568)	(24,977)
Interest income	3	(8,267)	(6,200)
Gain on disposal of items of property, plant and equipment		–	(25,335)
Loss on disposal of investment properties		–	4,491
Depreciation of property, plant and equipments	5	2,847	3,262
Depreciation of right-of-use assets	5	14,466	16,482
Fair value losses on investment properties, net		749	41,099
Fair value loss on a financial asset at fair value through profit or loss	5	1,260	–
		281,624	285,047
Decrease in properties held for sale under development and completed properties held for sale		109,133	64,517
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		1,862	(119,066)
Decrease in contract costs		6,364	588
Decrease in trade payables, other payables, accrued liabilities and others		(3,795)	(12,769)
Increase/(decrease) in contract liabilities		(207,385)	17,162
Increase/(decrease) in customer deposits		(3,991)	7,278
Cash generated from operations		183,812	242,757
Interest paid		(324)	(613)
Overseas taxes paid		(74,587)	(137,584)
Net cash flows from operating activities		108,901	104,560

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>108,901</u>	<u>104,560</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,267	6,200
Purchases of items of property, plant and equipment	(354)	(258)
Proceeds from disposal of items of property, plant and equipment	–	26,359
Proceeds from disposal of investment properties	–	29,709
Purchases of a financial asset at fair value through profit or loss	(5,747)	–
Purchases of a financial asset at fair value through other comprehensive income	(60,127)	–
Additions to investment properties	(45,520)	(20,127)
Dividends received from an associate	4,760	6,923
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	<u>1,940</u>	<u>(30)</u>
Net cash flows from/(used in) investing activities	<u>(96,781)</u>	<u>48,776</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	1,481,848	247,865
Repayment of bank loans	(1,063,309)	(527,153)
Dividend paid	(27,568)	(27,568)
Dividends paid to non-controlling shareholders	(28,740)	(28,740)
Interest paid	(124,274)	(94,425)
Principal portion of lease payments	<u>(15,011)</u>	<u>(9,373)</u>
Net cash flows from/(used in) financing activities	<u>222,946</u>	<u>(439,394)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	235,066	(286,058)
Cash and cash equivalents at beginning of period	1,971,141	1,997,504
Effect of foreign exchange rates changes, net	(154,716)	21,239
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,051,491</u>	<u>1,732,685</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,015,491	1,732,685
Non-pledged time deposits	60,631	2,823
Cash and bank balances as stated in the condensed consolidated statement of financial position	2,076,122	1,735,508
Non-pledged time deposits with original maturity of more than three months when acquired	(24,631)	(2,823)
	<u>2,051,491</u>	<u>1,732,685</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022.

The financial information relating to the year ended 31 March 2022 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2022 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Changes in accounting policies and disclosures

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial asset at fair value through profit and loss which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022, except as described below. The Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the current period’s financial information.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

Changes in accounting policies and disclosures *(Continued)*

The adoption of these revised accounting standards does not have material impact on the Group's unaudited condensed interim consolidated financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

(a) Business segments

	<u>Six months ended 30 September 2022 (Unaudited)</u>			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>394,047</u>	<u>220,126</u>	<u>23,405</u>	<u>637,578</u>
Segment results	<u>148,551</u>	<u>124,387</u>	<u>3,206</u>	276,144
<i>Reconciliation:</i>				
Interest income				8,267
Corporate and other unallocated expenses				(14,166)
Finance costs (other than interest on lease liabilities)				(108,754)
Share of profits of associates				<u>17,568</u>
Profit before tax				<u>179,059</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2021 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>377,046</u>	<u>213,303</u>	<u>19,227</u>	<u>609,576</u>
Segment results	<u>184,956</u>	<u>68,425</u>	<u>3,626</u>	257,007
<i>Reconciliation:</i>				
Interest income				6,200
Corporate and other unallocated expenses				(12,572)
Finance costs (other than interest on lease liabilities)				(85,467)
Share of profits of associates				<u>24,977</u>
Profit before tax				<u>190,145</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2022 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,368,684	15,432,817	1,748,722	19,550,223
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,197,656)
Investment in a joint venture				199
Investments in associates				1,244,954
Corporate and other unallocated assets				<u>2,076,338</u>
Total assets				<u><u>20,674,058</u></u>
Segment liabilities	1,313,075	1,141,021	236,140	2,690,236
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,197,656)
Corporate and other unallocated liabilities				<u>8,497,592</u>
Total liabilities				<u><u>8,990,172</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 31 March 2022 (Audited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,176,175	16,468,841	2,033,663	20,678,679
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,120,023)
Investment in a joint venture				199
Investments in associates				1,285,431
Corporate and other unallocated assets				<u>2,000,844</u>
Total assets				<u><u>21,845,130</u></u>
Segment liabilities	1,421,656	1,172,751	317,271	2,911,678
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,120,023)
Corporate and other unallocated liabilities				<u>8,443,699</u>
Total liabilities				<u><u>9,235,354</u></u>

(b) Geographical segments – Revenue

	Six months ended 30 September	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Hong Kong	98,446	94,668
Mainland China	<u>539,132</u>	<u>514,908</u>
	<u><u>637,578</u></u>	<u><u>609,576</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. REVENUE, OTHER INCOME AND GAINS

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 September 2022 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment				
Type of goods or services				
Sales of properties	394,047	–	–	394,047
Property management income	–	19,619	934	20,553
Total revenue from contracts with customers	<u>394,047</u>	<u>19,619</u>	<u>934</u>	<u>414,600</u>
Revenue from other sources				
Gross rental income	–	200,507	22,471	222,978
Total revenue from other sources	–	<u>200,507</u>	<u>22,471</u>	<u>222,978</u>
Revenue disclosed in the segment information	<u><u>394,047</u></u>	<u><u>220,126</u></u>	<u><u>23,405</u></u>	<u><u>637,578</u></u>
Timing of revenue recognition				
Goods transferred at a point in time	394,047	–	–	394,047
Services transferred over time	–	19,619	934	20,553
Total revenue from contracts with customers	<u><u>394,047</u></u>	<u><u>19,619</u></u>	<u><u>934</u></u>	<u><u>414,600</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Disaggregation of revenue *(Continued)*

	Six months ended 30 September 2021 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment				
Type of goods or services				
Sales of properties	377,046	–	–	377,046
Property management income	–	21,601	848	22,449
Total revenue from contracts with customers	<u>377,046</u>	<u>21,601</u>	<u>848</u>	<u>399,495</u>
Revenue from other sources				
Gross rental income	–	191,702	18,379	210,081
Total revenue from other sources	–	191,702	18,379	210,081
Revenue disclosed in the segment information	<u>377,046</u>	<u>213,303</u>	<u>19,227</u>	<u>609,576</u>
Timing of revenue recognition				
Goods transferred at a point in time	377,046	–	–	377,046
Services transferred over time	–	21,601	848	22,449
Total revenue from contracts with customers	<u>377,046</u>	<u>21,601</u>	<u>848</u>	<u>399,495</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains, net

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	8,267	6,200
Others	14,106	12,140
Government subsidies [#]	3,026	–
Gain on disposal of property, plant and equipment	–	25,335
Loss on disposal of investment properties	–	(4,491)
	25,399	39,184

[#] The government subsidies represent mainly grants from the Employment Support Scheme of the Hong Kong Government, which aim to retain employment and combat COVID-19. There were no unfulfilled conditions or contingencies relating to these subsidies.

4. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	124,274	94,425
Interest on lease liabilities	324	613
Less: Interest capitalised under properties under development/construction	(15,520)	(8,958)
	109,078	86,080

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipments	2,847	3,262
Depreciation of right-of-use assets*	14,466	16,482
Fair value changes in financial asset at fair value through profit or loss	1,260	–
Employee benefit expenses (including directors' remuneration)	45,339	41,946
Less: Amounts capitalised under properties under development/construction	(10,000)	(10,080)
	35,339	31,866

* Included in the amount are the depreciation of leased carparks of HK\$8,138,000 which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. INCOME TAX

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Under-provision in prior periods	258	95
Current – Elsewhere	103,600	112,172
Deferred	(7,751)	(18,379)
Total tax charge for the period	96,107	93,888

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$44,732,000 (2021: HK\$58,479,000) and the weighted average number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2022 and 2021 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

The final dividend of HK 5.0 cents per ordinary share for the year ended 31 March 2022 was approved by the Company's shareholders at the adjourned annual general meeting of the Company held on 1 September 2022 and paid on 6 October 2022.

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice/contract date, is as follows:

	At 30 September 2022 (Unaudited) HK\$'000	At 31 March 2022 (Audited) HK\$'000
Within 30 days	2,766	1,447
31 to 60 days	239	521
61 to 90 days	–	39
Over 90 days	<u>12,312</u>	<u>12,312</u>
Total	<u><u>15,317</u></u>	<u><u>14,319</u></u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of the sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

10. TRADE PAYABLES, OTHER PAYABLES, ACCRUED LIABILITIES AND OTHERS

Included in the trade payables, other payables, accrued liabilities and others are trade payables of HK\$7,412,000 (as at 31 March 2022: HK\$9,296,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2022 (Unaudited) HK\$'000	At 31 March 2022 (Audited) HK\$'000
Within 30 days	7,406	9,290
Over 90 days	<u>6</u>	<u>6</u>
Total	<u>7,412</u>	<u>9,296</u>

11. SHARE CAPITAL

There were no movements in the issued and fully paid share capital of the Company in the current interim period.

12. CONTINGENT LIABILITIES

As at 30 September 2022, the Group has given guarantees of HK\$6,821,000 (as at 31 March 2022 (audited): HK\$15,146,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

13. OPERATING LEASE ARRANGEMENTS
As lessor

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2022 (Unaudited) HK\$'000	At 31 March 2022 (Audited) HK\$'000
Within one year	342,079	357,157
After one year but within two years	309,804	321,553
After two years but within three years	263,503	282,472
After three years but within four years	216,163	230,989
After four years but within five years	200,093	210,916
After five years	540,665	659,458
	<u>1,872,307</u>	<u>2,062,545</u>

14. CAPITAL COMMITMENTS

At 30 September 2022, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$189,077,000 (as at 31 March 2022 (audited): HK\$264,610,000).

15. RELATED PARTY TRANSACTIONS
(a) Connected Transaction

During the six months ended 30 September 2022, Hon Kwok Group paid development expenditure relating to main contractor's construction works for the Data Centre Project to Chinney Construction, an indirect wholly-owned subsidiary of Chinney Alliance, amounted to HK\$19,674,000. No development expenditure was paid during the six months ended 30 September 2021. The above transaction was negotiated between the concerned parties by reference to the prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at an extraordinary general meeting held on 24 August 2018.

(b) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	4,110	3,738

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September	31 March	30 September	31 March
	2022	2022	2022	2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities				
Interest-bearing bank and other borrowings	6,841,792	6,633,070	6,841,792	6,633,070

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in trade payables, other payables, accrued liabilities and others, the current portion of interest-bearing bank and other borrowings and current portion of lease liabilities, and a balance with an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 September 2022 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 September 2022 and 31 March 2022. As at 30 September 2022, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings (non-current portion) of HK\$3,971,704,000 (as at 31 March 2022 (audited): HK\$2,841,986,000) and lease liabilities (non-current portion) of HK\$14,564,000 (as at 31 March 2022 (audited): HK\$23,711,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities of the Group.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 29 November 2022.